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COSCO Pacific

COSCO Pacific Limited

(Incorporated in Bermuda with limited liability)

ANNOUNCEMENT OF 2000 INTERIM RESULTS

RESULTS

The board of directors of COSCO Pacific Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2000 together with the comparative figures for the corresponding period of last year as follows:

	Notes	Six months ended 30th June 2000 US$'000	1999 US$'000	Increase/ (Decrease) %
Turnover	(1)	105,466	108,437	(2.7)
Cost of sales		(43,043)	(44,367)	(3.0)
Gross profit		62,423	64,070	(2.6)
Other revenue		20,310	13,233	53.5
Administrative expenses		(9,484)	(8,927)	6.2
Other operating expenses (net)		(12,078)	(5,794)	108.5
Operating profit		61,171	62,582	(2.3)
Finance costs		(20,786)	(19,162)	8.5
Operating profit after finance costs		40,385	43,420	(7.0)
Share of profits less losses of				
– associated companies		30,607	25,034	22.3
– jointly controlled entities		3,652	1,452	151.5
Profit before taxation		74,644	69,906	6.8
Taxation	(2)	(5,110)	(2,917)	75.2
Profit after taxation		69,534	66,989	3.8
Minority interests		(468)	(377)	24.1
Profit attributable to shareholders		69,066	66,612	3.7
Dividends	(3)	(22,562)	(22,385)	0.8
Profit for the period retained		46,504	44,227	5.1
Basic earnings per share	(4)	US3.23 cents	US3.20 cents	0.9

Notes:

(1) Turnover

Turnover represents the income from container leasing, container handling and storage, and container terminal operations.

	Six months ended 30th June 2000 US$'000	1999 US$'000
Container leasing	98,002	100,492
Container handling and storage	4,811	5,645
Container terminal operations	2,653	2,300
	105,466	108,437

(2) Taxation

	Six months ended 30th June 2000 US$'000	1999 US$'000
Company and subsidiaries:		
Hong Kong profits tax	194	202
PRC taxation (excluding Hong Kong)	61	50
Overseas taxation	206	156
Overprovision in prior years	(130)	–
	331	408
Associated companies:		
Hong Kong profits tax	4,103	2,178
PRC taxation (excluding Hong Kong)	454	352
Deferred taxation	(59)	(65)
Jointly controlled entities:		
PRC taxation (excluding Hong Kong)	281	44
	5,110	2,917

Hong Kong profits tax has been calculated at a rate of 16% (1999: 16%) on the estimated assessable profits. A substantial portion of the Group's profits neither arises in nor is derived from Hong Kong. Accordingly, that portion of the Group's profits is not subject to Hong Kong profits tax.

Taxation on the estimated assessable profits in the People's Republic of China ("PRC") and overseas countries have been calculated at the rates of taxation prevailing in the region in which the Group operates.

(3) Dividends

	Six months ended 30th June 2000 US$'000	1999 US$'000
Interim, proposed of US1.055 cents (1999: US0.994 cents) per ordinary share	22,562	21,258
Additional 1998 final dividend paid on shares issued due to the share placement before the closure of the register of members	–	1,127
	22,562	22,385

(4) Basic earnings per share

Basic earnings per share for the six months ended 30th June 2000 is calculated on the profit attributable to shareholders of US$69,066,000 (1999: US$66,612,000) and on the weighted average number of 2,139,228,298 (1999: 2,070,223,165) shares in issue during the period.

reduced number of containers leased by COSCON following its significant return of containers upon expiry of 10-year leases during the first half of last year. Moreover, the Group continued to actively develop other international customers ("International Customers") in order to further increase our market share and to better utilize our container fleet. As a result, International Customers accounted for 30.9% (1999: 27.7%) of the rental income, an increase of 3.2 percentage points.

As at 30th June 2000, the total capacity of our container fleet increased by 3.6% to 508,985 TEUs (1999: 491,250 TEUs). Major changes in fleet capacity and composition during the period together with the comparative figures of the corresponding period last year are as follows:

Fleet capacity (in TEUs)	2000	1999
Total containers (as at 1st January)	500,899	505,954
New containers purchased	34,998	23,250
Containers returned upon the expiry of 10-year leases		
Total	(25,193)	(36,506)
Leased out	111	–
Disposed and pending for disposal	(25,082)	(36,506)
Defective containers written off	(1,830)	(1,448)
Total containers (as at 30th June)	508,985	491,250

Fleet composition (in TEUs)	As at 30th June 2000	1999
Dry containers	91.3%	91.0%
Reefers	6.0%	6.2%
Specialized dry containers	2.7%	2.8%

During the period, the Group invested US$48,305,000 (1999: US$32,592,000) to purchase 34,998 TEUs (1999: 23,250 TEUs) new containers, of which 34,748 TEUs (1999: 21,600 TEUs) were dry containers and 250 TEUs (1999: 350 TEUs) were reefers. No specialized dry containers were purchased (1999: 1,300 TEUs).

Of the 34,998 TEUs new containers being purchased, 23,550 TEUs (1999: 23,250 TEUs) were assigned to cope with the increasing demand from International Customers. About 14,660 TEUs (1999: 1,844 TEUs) containers are expected to be purchased for these customers in the second half. As at 30th June 2000, the total number of International Customers is 163 (1999: 184).

During the period, the Group received 25,193 TEUs (1999: 36,506 TEUs) containers from COSCON upon expiry of 10 year leases, and leased 11,448 TEUs (1999: nil) new containers to COSCON. In the second half, about 6,489 TEUs (1999: 8,589 TEUs) containers are expected to be returned by COSCON upon expiry of the leases, and the Group plans to order 12,952 TEUs (1999: 14,800 TEUs) new containers for COSCON.

Of the 25,193 TEUs containers returned by COSCON, 20,910 TEUs (1999: 17,974 TEUs) were disposed of in the secondary market with a net profit of US$372,000 (1999: US$2,958,000). The drop in net profit was due to decreased disposal prices and increased costs of sales. About 111 TEUs of the returned containers were leased out. The Group will continue to dispose of or lease out the remaining returned containers.

While the utilization of containers by COSCON remained at 100%, the utilization by International Customers rose slightly to 89.3% (1999: 88.8%). As a result of the drop in COSCON's contribution, the overall utilization rate dipped slightly to 95.7% (1999: 96.2%), still well above the industry average of 83%.

During the period, as part of the continuous improvement in customer service and operational efficiency, the Group spent US$560,000 to upgrade the computer systems. As of 30th June, 2000, total costs incurred for computer systems development amounted to US$5,841,000. Moreover, we have been actively developing e-commerce services for our container leasing operations. We plan to offer web-based container leasing enquiry services in the second half, while interactive services such as leasing and return of containers and settlement of accounts will be available next year. The establishment of such a web-based platform enable our customers to enjoy faster and more convenient services at lower costs.

Container terminals

During the first half, increased trade activities within the Asian region and across the world, in particular the strong growth in China's foreign trade, helped boost the demand for container terminal services in both Hong Kong and Mainland China. As a result, all our five container terminals recorded satisfactory performances. Aggregate throughput increased by 22.9% to 3,291,258 TEUs. COSCO-HIT Terminals (Hong Kong) Limited, in which the Group holds a 50% interest, increased its throughput by 19.3% to 659,247 TEUs, whereas the combined throughput at the four Mainland terminals rose 23.9% to 2,632,011 TEUs.

TEUs	First half of 2000	First half of 1999	Increase %
COSCO-HIT Terminals (Hong Kong) Limited	659,247	552,623	19.3
Shanghai Container Terminals Ltd.	1,405,900	1,202,678	16.9
Qingdao Cosport International Container Terminals Co., Ltd.	236,870	181,683	30.4
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	69,362	54,945	26.2

Interim, proposed of US1.055 cents (1999: US0.994 cents) per ordinary share	22,562	21,258
Additional 1998 final dividend paid on shares issued due to the share placement before the closure of the register of members	–	1,127
	22,562	22,385

(4) **Basic earnings per share**

Basic earnings per share for the six months ended 30th June 2000 is calculated on the profit attributable to shareholders of US$69,066,000 (1999: US$66,612,000) and on the weighted average number of 2,139,228,298 (1999: 2,079,323,165) shares in issue during the period.

Diluted earnings per share is not presented as the exercise price of the Company's outstanding options was higher than the fair value per share throughout both periods.

INTERIM DIVIDEND

The board of directors had declared an interim cash dividend of HK8.2 cents per share for the six months ended 30th June 2000 (1999: HK7.7 cents per share). The interim dividend will be payable on 5th October 2000 to shareholders whose names appear on the register of members of the Company on 28th September 2000.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 25th September 2000 to Thursday, 28th September 2000, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrars, Secretaries Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, for registration not later than 4:00 p.m. on Friday, 22nd September 2000.

REVIEW OF OPERATIONS

Overview

During the six months ended 30th June 2000, the Group's core businesses achieved satisfactory results that exceeded our projections made at the beginning of this year. Compared with the corresponding period of 1999, profit attributable to shareholders increased by 3.7% to US$69,066,000 despite a small decline of 2.7% in turnover to US$105,466,000.

An analysis of the Group's results for the six months ended 30th June 2000 by principal activity is as follows:

Activities	Turnover US$'000	Operating profit* US$'000	Profit attributable to shareholders** US$'000
Container leasing	98,002	56,941	36,592
Container terminal operations	2,653***	18	20,331
Container handling and storage	4,811	1,536	1,237
Container related industries	–	–	1,749
Other investments	–	–	6,900
Corporate finance costs	–	–	(430)
Net corporate income	–	2,676	2,687
Total	105,466	61,171	69,066

* Operating profit comprises the profit before finance costs and taxation of the Company and its subsidiaries. The operating profit of the container terminal operations comprised of the operating profit of Zhangjiagang Win Hanverky Container Terminal Co., Ltd., dividend income from Yiantian International Container Terminals Ltd. and a provision for diminution in value for River Trade Terminal Holdings Limited.

** Profit attributable to shareholders comprises the profit after taxation and minority interests of the Company, its subsidiaries, associated companies and jointly controlled entities.

*** Comprising only the turnover of Zhangjiagang Win Hanverky Container Terminal Co., Ltd.

Financial highlights

During the first half of 2000, the Asian economy continued to improve. Among them, China's foreign trade increased significantly by 37.3% from a year ago, totaling US$216.6 billion in imports and exports. While benefiting from these positive developments, the Group continued to adopt prudence in planning its business development. Total capital expenditure of the Group for the period rose 9.4% to US$51,178,000 (1999: US$46,792,000), of which US$48,305,000 (1999:US$32,592,000) was spent on new container purchases.

The Group's financial position remained strong as a result of the prudent financial policies. During the period, the Group successfully issued US$140,000,000 two-year commercial paper to refinance the US$130,000,000 commercial paper that expired in May 2000. As at 30th June 2000, the Group's outstanding borrowings amounted to US$489,127,000 (1999: US$586,182,000). Finance costs increased slightly by 8.5% to US$20,786,000 (1999: US$19,162,000). Average borrowing cost was 7.1% per annum, which was higher than the 6.2% per annum recorded a year ago as a result of the rise in London Inter-Bank Offered Rate. Interest coverage remained at a comfortable level of 4.9 times (1999: 4.8 times). Net debt-to-equity ratio was further reduced to 28.6% (1999: 48.8%) and the cash balance amounted to US$195,269,000 (1999: US$126,549,000). Interest income increased to US$6,740,000 (1999: US$2,207,000).

Container leasing

For the six months ended 30th June 2000, turnover of our container leasing division slipped by 2.5% to US$98,002,000 (1999: US$100,492,000). Operating profit dropped by 5.6% to US$56,941,000 (1999: US$60,345,000). Operating profit margin was down by 1.9 percentage points to 58.1% (1999: 60.0%). Compared with the corresponding period of last year, operating profit before disposal profit from containers returned upon the expiry of 10-year leases slightly dropped by 1.4% to US$56,569,000 (1999: US$57,387,000).

COSCO Container Lines Company Limited ("COSCON"), our principal customer, accounted for 69.1% (1999: 72.3%) of the total rental income. The drop in COSCON's contribution was mainly attributable to the

TEUs	First half of 2000	First half of 1999	Increase %
COSCO-HIT Terminals (Hong Kong) Limited	659,247	552,623	19.3
Shanghai Container Terminals Ltd.	1,405,900	1,202,678	16.9
Qingdao Cosport International Container Terminals Co., Ltd.	236,870	181,683	30.4
Zhangjiagang Win Hanverky Container Terminal Co., Ltd.	69,362	54,945	26.2
Yantian International Container Terminals Ltd.	919,879	685,528	34.2
Total	3,291,258	2,677,457	22.9

Shanghai Waigaoqiao Terminals

In March 2000, the Group signed a joint venture agreement with the Shanghai Waigaoqiao Free Trade Zone Stevedoring Co. and other parties for the establishment of a joint venture company to operate Phase One of Shanghai Waigaoqiao Container Terminals. The terminal has 3 berths with a designed capacity to handle 1,200,000 TEUs a year. Total investment is expected to be RMB3 billion and the Group will have a 20% interest in the joint venture company. The project is pending approval from the relevant authorities and the joint venture company is expected to be incorporated in the second half.

River Trade Terminal

The Group has a 10% interest in River Trade Terminal Holdings Limited which operates a terminal providing cargo handling services for manufacturers in the Pearl River Delta. The terminal has improved its business during the period and recorded a higher throughput compared with the same period last year.

Shanghai Yixian Road

The Group has a 30% interest in Twinbridge Development Corp. which invests in an elevated road at Yixian Road in Shanghai. During the period, the construction works of the project have been completed. All three toll bridges are now in operation with the third one-Jiangyang Toll Bridge commenced operations since March 2000. The first half saw a traffic of 4,623,192 vehicles using the bridges, an increase of 13.7% over the same period of last year. Toll receipts increased following the revision of toll charges in mid-1999. As a result, after deducting depreciation for the elevated road and other expenses, the project continued to report a stable profit.

Container handling and storage

Our wholly-owned subsidiary, Plangreat Limited, and its subsidiaries provide container stevedoring, container storage and container repair and transport services. During the period under review, Plangreat Limited and its subsidiaries recorded a turnover of US$4,811,000 (1999: US$5,645,000).

Container related industries

The Group has interests in Shanghai CIMC Reefer Containers Co., Ltd., Shanghai CIMC Far East Container Co., Ltd., Shanghai Kansai Paint & Chemical Co., Ltd., Tianjin CIMC North Ocean Container Co., Ltd. and Tianjin Kansai Paint & Chemicals Co., Ltd. During the first half, thanks to strong demand and the increase in container price, these companies reported significant growth in production.

Liu Chong Hing Bank

The Group has a 20% interest in Liu Chong Hing Bank Limited which contributed US$6,900,000 (1999: US$4,906,000) to the Group's profit attributable to shareholders, an increase of 40.6% over the same period of 1999.

PROSPECTS

The container transportation sector and related industries are benefiting from the strong growth in China's foreign trade. Among them, container leasing, container terminals and container related industries are clearly on the growth track.

With China now on the verge of joining the World Trade Organization, the global economy is expecting a new driving force for its development. Being the overseas listed flagship of China Ocean Shipping (Group) Company, the largest shipping group in China, the Group will continue to make a good leverage on its parent company's strong market position to seize growth opportunities ahead in an aggressive but yet prudent manner. We will move forward with our plans to further expand our container leasing and container terminal businesses and develop the container-related logistics business. The Group is confident about its business prospects.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

The Company has not redeemed any of its shares during the six months ended 30th June 2000. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the six months ended 30th June 2000.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June 2000, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company has an audit committee consisting of three independent non-executive directors of the Company. The committee meets regularly with the executive directors and the senior management of the Company to review and supervise the Group's financial reporting process and internal controls.

By Order of the Board
SHI Qin
Managing Director

Hong Kong, 6th September 2000